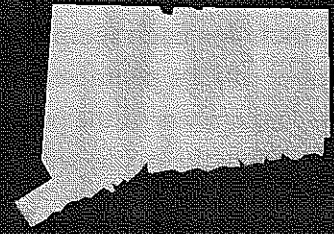


FISCAL POLICY CENTER

At Connecticut Voices for Children



Testimony Regarding Raised Bill Nos. 6566, 1053, and 1055

Finance, Revenue, and Bonding Committee

Wade Gibson, J.D.

Senior Policy Fellow

March 11, 2013

Senator Fonfara, Representative Widlitz, Senator Frantz, Representative Williams, distinguished members of the Committee:

My name is Wade Gibson. I am a Senior Policy Fellow in charge of the Fiscal Policy Center at Connecticut Voices for Children. The mission of the Center is to research and advocate for the best interests of Connecticut's young people in the state and federal budgets. I am here to testify in favor of sections 1 and 2 of Raised H.B. 6566 that would increase transparency in economic assistance programs, and against sections of Raised Senate Bills 1053 and 1055 that would increase the apprenticeship tax credit and allow businesses to file it against the personal income tax.

This year's budget is full of hard choices. The Governor's proposal cuts scholarships for college students, reduces the EITC that benefits 200,000 children, and makes changes to HUSKY that threaten the health coverage of 40,000 parents. With choices like these, **we must make sure the public's dollars are put to the very best use because those dollars could send a first-generation student to college, help a poor family with the heating bill, or give a working mother of three health coverage.**

In FY 2012, we spent \$118 million on the film tax credit; OFA had projected a cost of just \$64 million. **For \$118 million—a sum greater than the entire cost of the EITC—we could avoid proposed cuts to school-based health clinics, school transportation, HUSKY parent coverage, and the earned income tax credit.**

Meanwhile, Raised Senate Bills 1053 and 1055 would expand business tax credits against the personal income tax, the only major source of tax revenue that is not eroding year after year. They would expand the maximum apprenticeship tax credit and extend it to S-Corporations, LLCs, and other “pass through” entities whose earnings are only taxed as the personal income of their owners. Unlike the sales and corporate taxes, the personal income tax keeps pace with growth in the economy and state budget—this proposal would erode Connecticut's strongest remaining revenue source.

And, it is very hard to know how well such business assistance programs work. We can never know whether, absent state subsidy, the company would have hired a new worker anyway. Business subsidies are not like most public spending where we can point to a class taught, family insured, or highway patrolled because of public dollars. We must be cautious and gather all of the evidence available because we cannot see behind the veil at what is truly driving companies' decisions.

The Comptroller's proposals in H.B. 6566 address these concerns directly by creating an online database that includes each recipient of state business assistance, along with the amount of assistance received, number of jobs promised and created, and economic benefit conferred upon the public. The database will provide members of the public with more information about how their dollars are spent; by evaluating this information, the public will be better able to play an active role in ensuring those dollars are put to the very best use.

Connecticut would not be alone in reporting businesses' tax credit information online. In fact, last year the Massachusetts Department of Revenue began publishing a detailed spreadsheet that lists recipients of economic assistance along with their individual tax credit amounts. I have included a portion of that report below for your review. Thank you for the opportunity to testify. I look forward to your questions.

Massachusetts Tax Credit Transparency Report – Calendar Year 2011

b) Details of Transferable or Refundable Tax Credits

Administering Agency:	Period Covered:	Tax Credit Program	Project Name/Title	Identity of the Taxpayer Receiving an Authorized Credit:	Amount of the Authorized Tax Credit:		Date that Authorized Tax Credit was:	
					Awarded	Issued	Awarded	Issued
Life Sciences Center	2011	Life Sciences - research credit	N/A	Nova Biomedical	\$20,000.00	N/A	2/9/11	N/A
Life Sciences Center	2011	Life Sciences - research credit	N/A	NX Stage Medical, Inc.	\$1,346,763.00	N/A	2/14/11	N/A
Life Sciences Center	2011	Life Sciences - research credit	N/A	OPK Biotech	\$110,000.00	N/A	2/22/11	N/A
Life Sciences Center	2011	Life Sciences - research credit	N/A	Organogenesis, Inc.	\$457,899.00	N/A	3/27/11	N/A
Life Sciences Center	2011	Life Sciences - research credit	N/A	Still River Systems, Inc.	\$296,288.00	N/A	2/9/11	N/A
Life Sciences Center	2011	Life Sciences - research credit	N/A	Valentis, Inc.	\$480,000.00	N/A	4/6/11	N/A
Life Sciences Center	2011	Life Sciences - research credit	N/A	Vertex Pharmaceuticals, Inc.	\$1,271,656.00	N/A	3/15/11	N/A
Department of Revenue	2011	Film Tax Credit	Pride Auto Group Commercials July-Dec 2010	Allen Roche Group, Inc.	N/A	\$82,507.00	N/A	2011
Department of Revenue	2011	Film Tax Credit	NEAQ Mobile Tales	Untravel Media	N/A	\$39,341.03	N/A	2011
Department of Revenue	2011	Film Tax Credit	McDonald's	Uber Content, Inc.	N/A	\$46,152.72	N/A	2011
Department of Revenue	2011	Film Tax Credit	2010 Celebrity Spotlight Series	Exile Films d/b/a Moody Street Pictures	N/A	\$18,765.72	N/A	2011